

Message Text

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ACTION EUR-12

INFO OCT-01 EA-09 ISO-00 NEA-10 SP-02 USIA-15 AID-05 EB-08
NSC-05 CIEP-02 SS-15 STR-04 OMB-01 CEA-01 CIAE-00
COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04
SIL-01 L-03 H-02 DODE-00 PA-02 PRS-01 IGA-02 /123 W
-----251804Z 039839 /41

R 251719Z JAN 77
FM AMEMBASSY BONN
TO SECSTATE WASHDC 5024
DEPARTMENT TREASURY
INFO AMEMBASSY BERN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO
USMISSION EC BRUSSELS
USMISSION OECD PARIS
AMCONSUL FRANKFURT

UNCLAS SECTION 01 OF 03 BONN 01461

DEPARTMENT PASS FEDERAL RESERVE

E.O. 11652: N/A
TAGS: EFIN, GW
SUBJECT: FINANCIAL DEVELOPMENTS (WEEK ENDING JANUARY
24)

1. FOREIGN EXCHANGE MARKET:
THE DOLLAR TURNED SHARPLY UPWARD ON TUESDAY, JANUARY 25,
GAINING ABOUT 3 PFENNIGS ON MONDAY'S FIXING PRICE. IN
THE DAYS PRECEDING THIS SHARP INCREASE THE DOLLAR/DM
EXCHANGE RATE HAD MOVED RELATIVELY LITTLE, WAVERING
SLIGHTLY ABOVE THE \$1 EQUALS DM 2.40 LEVEL. DAILY
FRANKFURT SPOT AND FORWARD DOLLAR RATES DEVELOPED AS
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FOLLOWS DURING THE REPORTING PERIOD:

FORWARD DOLLARS
SPOT DOLLARS (IN PCT. PER ANNUM)
OPENING FIXING CLOSING ONE-MONTH THREE-MOS

JAN 18 2.3950 2.3975 2.4030 -0.5 -0.8

19	2.4075	2.4088	2.4100	-0.2	-0.6
20	2.4070	2.4062	2.4040	-0.3	-0.6
21	2.4020	2.4005	2.4010	-0.5	-0.6
24	2.3980	2.4004	2.4175	-0.3	-0.5
25	2.4210	2.4302	N.A.	N.A.	N.A.

2. MONEY MARKET:

TIGHT CONDITIONS CONTINUED TO PREVAIL ON GERMAN MONEY MARKETS. CALL MONEY RATES, AGAIN THIS WEEK WERE AT ABOUT THE LEVEL OF THE LOMBARD RATE. ONE AND THREE MONTH FUNDS WERE STEADY DURING THE PAST WEEK AT A S LIGHTLY HIGHER LEVEL THAN IN THE PREVIOUS WEEK. DURING THE REPORTING WEEK FRANKFURT INTER-BANK RATES DEVELOPED AS FOLLOWS:

CALL MONEY ONE-MONTH THREE-MONTH

JAN 18	4.5-4.7	4.70	4.80
19	4.5-4.7	4.70	4.80
20	4.5-4.7	4.70	4.80
21	4.5-4.7	4.70	4.80
24	4.4-4.6	4.70	4.80

3. BUNDESBANK FOREIGN POSITION:

IN THE FIRST HALF OF JANUARY (JANUARY 1-15) THE BUNDESBANK'S NET FOREIGN POSITION INCREASED BY DM 0.5 BILLION TO DM 86.2 BILLION. GOLD HOLDINGS INCREASED BY DM 33 MILLION DUE TO THE IMF GOLD RESTITUTION, AND GERMANY'S IMF GOLD TRANCHE POSITION, MAINLY DUE TO THE ABOVE UNCLASSIFIED

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TRANSACTION, DECLINED BY DM 59 MILLION. CREDITS TO THE IMF GRANTED UNDER SPECIAL CREDIT ARRANGEMENTS INCREASED BY DM 762 MILLION RESULTING FROM THE BUNDESBANK CREDIT TO THE IMF TO FINANCE THE FIRST TRANCHE OF THE IMF CREDIT TO THE U.K. IN CONNECTION WITH THIS TRANSACTION FOREIGN EXCHANGE HOLDINGS OF THE BUNDESBANK DECLINED IN THE SECOND WEEK OF JANUARY BY DM 784 MILLION BUT HAD INCREASED BY DM 605 MILLION IN THE FIRST WEEK OF THE MONTH. SDR HOLDINGS DECLINED BY DM 13 MILLION AND FOREIGN LIABILITIES INCREASED BY ABOUT DM 40 MILLION.

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SIL-01 L-03 H-02 IGA-02 DODE-00 PA-02 PRS-01 /123 W
-----251803Z 039870 /41

R 251719Z JAN 77
FM AMEMBASSY BONN
TO SECSTATE WASHDC 5025
DEPARTMENT TREASURY
INFO AMEMBASSY BERN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
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4. BANK LIQUIDITY:

IN THE FIRST HALF OF JANUARY BANK LIQUIDITY INCREASED
BY DM 1.0 BILLION. FACTORS INCREASING LIQUIDITY WERE
THE INCREASE IN THE BUNDESBANK'S FOREIGN POSITION, THE
USUAL DECLINE OF CURRENCY IN CIRCULATION IN THE FIRST
HALF OF A MONTH (DM 1.5 BILLION) AND A DM 0.6 BILLION
DECLINE IN THE BANKS HOLDINGS OF RESERVES AT THE BUNDES-
BANK. OTHER FACTORS, NET, INCREASED LIQUIDITY BY DM 0.4
BILLION. TRANSACTIONS OF PUBLIC AUTHORITIES REDUCED
LIQUIDITY BY DM 1.8 BILLION. THIS INCLUDED NET
REPAYMENTS OF DM 0.7 AND DM 0.1 BILLION, RESPECTIVELY,
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BY THE FEDERAL AND STATE GOVERNMENTS OF CREDITS TAKEN
UP AT THE BUNDESBANK, AND A DM 1.6 BILLION INCREASE (TO
DM 3.7 BILLION) IN BUNDESBANK ASSETS OF STATE GOVERNMENTS.
THE BUNDESBANK ASSETS OF THE FEDERAL GOVERNMENT REMAINED
VIRTUALLY UNCHANGED AT DM 0.3 BILLION. AN INCREASE IN
THE NET ASSET POSITION OF FEDERAL AND STATE GOVERN-

MENTS WITH THE BUNDESBANK IN THE FIRST HALF OF JANUARY IS CONTRARY TO USUAL SEASONAL DEVELOPMENTS. THIS YEAR IT REFLECTED BORROWINGS OF THE GOVERNMENTS PARTICULARLY IN THE FIRST DAYS OF JANUARY. ANOTHER FACTOR REDUCING BANK LIQUIDITY WAS DM 0.2 BILLION OF ADDITIONAL SALES OF BONDS BY THE BUNDESBANK. THE BANKS USED THE INCREASE IN LIQUIDITY TO REDUCE LOMBARD BORROWINGS BY DM 3.7 BILLION TO DM 2.4 BILLION. AT THE SAME TIME REDISCOUNT BORROWINGS INCREASED BY DM 2.7 BILLION TO DM 16.1 BILLION.

5. DM 1.5 BILLION CREDIT FOR IRAN:

THE DRESDNER BANK AS LEADER OF A BANKING CONSORTIUM HAS SIGNED A CONTRACT WITH THE IRAN POWER GENERATION AND TRANSMISSION CO. "TAVANIR CO." FOR A CREDIT OF DM 1.5 BILLION. THE CREDIT WILL BE USED TO FINANCE A POWER PLANT BASED ON NATURAL GAS. THE PLANT WILL BE ESTABLISHED BY A GERMAN CONSORTIUM INCLUDING BROWN, BOVERIE AND CIE. A.G., DEUTSCHE BABCOCK A.G., AND BILFINGER AND BERGER BAU-A.G.

6. EURO-DM CREDIT FOR DENMARK:

THE COMPAGNIE FINANCIERE DE LA DEUTSCHE BANK A.G. LUXEMBOURG, REPORTEDLY PREPARES A DM 400 MILLION ROLL-OVER EURO-CREDIT FOR THE KINGDOM OF DENMARK. THE MATURITY OF THE CREDIT IS EXPECTED TO BE 7 YEARS, AND THE CREDIT CONTRACT TO BE SIGNED IN COPENHAGEN IN MID-FEBRUARY.

7. BOND MARKET:

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FOLLOWING RAPID PRICE INCREASES AT THE BEGINNING OF THE YEAR, AND A SHORT SUBSEQUENT STAGE OF CONSOLIDATION DURING THE PERIOD UNDER REVIEW PRICE DECLINES PREVAILED ON THE MARKET FOR DOMESTIC BONDS. THE BUNDESBANK REPORTEDLY PURCHASED ABOUT DM 200 MILLION OF DOMESTIC BONDS DURING THE LAST WEEK AS COMPARED WITH SALES OF ABOUT DM 100 MILLION A WEEK BEFORE. ACCORDING TO THE PRESS AVERAGE CURRENT YIELDS OF DOMESTIC BONDS BROKEN DOWN BY REMAINING MATURITY ARE AS FOLLOWS:

REMAINING MATURITY

(YEARS) 1 3 5 7 9 10

YIELD TO MATURITY

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SIL-01 L-03 H-02 DODE-00 PA-02 PRS-01 IGA-02 /123 W

-----251758Z 039884 /41

R 251719Z JAN 77

FM AMEMBASSY BONN

TO SECSTATE WASHDC 5026

DEPARTMENT TREASURY

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL FRANKFURT

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JAN 21 5.10 6.35 6.80 6.95 7.20 7.30

JAN 14 5.10 6.30 6.75 7.00 7.10 7.20

ON JANUARY 21 A DM 900 MILLION LOAN OF THE FEDERAL RAILWAYS WAS OFFERED, WITH A COUPON OF 7 PERCENT, A MATURITY OF 10 YEARS AND AN ISSUE PRICE OF 99 1/2 (EFFECTIVE YIELD 7.07 PERCENT). THE CONDITIONS WERE LESS ATTRACTIVE THAN THOSE ON THE 10 YEAR TRANCHE OF THE LAST FEDERAL LOAN OFFERED DECEMBER 29 (COUPON 7.25, YIELD TO MATURITY 7.32 PERCENT AND APPARENTLY FOR THIS REASON, THE RAILWAY ISSUE WAS NOT WELL RECEIVED. CURRENTLY PLANS ARE THAT DM 600 MILLION OF THE LOAN WILL BE PUBLICLY

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SOLD AND DM 300 MILLION WILL BE RETAINED BY THE DEUTSCHE VERKEHRS-KREDIT-BANK AG AND THE BUNDESBANK FOR PRICE SUPPORTING PURPOSES. AMONG BANKS THE LOAN IS CURRENTLY TRADED ABOUT 1 PERCENT BELOW ITS ISSUE PRICE.

THE BRAZILIAN LIGHT-CERVICOS DE ELECTRICIDADE S.A., SAO PAULO, PLANS TO OFFER A DM 100 MILLION LOAN. THE LOAN WILL BE GUARANTEED BY THE BRAZILIAN GOVERNMENT. CONDITIONS ARE EXPECTED TO BE A COUPON OF 8 1/2 PERCENT, AND A MATURITY OF 5 YEARS. FOR THE MONTH OF FEBRUARY THE SUB-COMMITTEE FOR FOREIGN DM LOANS OF THE CENTRAL CAPITAL MARKET COMMITTEE DECIDED TO OFFER FOREIGN DM LOANS IN AN AMOUNT OF DM 850 MILLION.
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
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Disposition Event:
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TAGS: EFIN, GE
To: STATE TRSY
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